

TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

December 27, 2005

TO: Internal File

THRU: Peter H. Hess, Environmental Scientist III/Engineering, Team Lead

FROM: Wayne H. Western, Environmental Scientist III/Engineering, Bonding

RE: 2005 Midterm Review, Canyon Fuel Company, LLC., Dugout Canyon, C/007/039, Task ID #2348

SUMMARY:

This memo will address the requirements of the mid-term permit review process as they relate to R645-301-500, the bonding portion of Engineering.

TECHNICAL ANALYSIS:

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

Analysis:

TECHNICAL MEMO

Determination of Bond Amount

The following permit reviews / bond adjustments have received Division approval since March 16, 2003:

- 1) Task ID #1900; Revision to Bond/Chapter 5 (conditional approval 5/7/2004).
- 2) Task ID #2286; Revisions to Bond/Paved Road Calculations (approval 8/5/2005).
- 3) Task ID #2310; Bond Revision to Include Degas Wells and Escalate (approval 9/8/2005).

The amount of reclamation bond necessary to reclaim all disturbed areas of the Dugout Canyon Mine (51.11 acres) has been determined to be \$2,394,000, (2010 dollars).

It appears that the amount of reclamation bond for this site has seen numerous reviews during the current year, and that the amount of reclamation coverage provided is adequate.

Terms and Conditions for Liability Insurance

The Permittee's general liability insurance retains effective coverage until July 31, 2006. The Company providing coverage is ACE American Insurance Company produced through Marsh USA, Inc., 800 Market Street, Suite 2600, St. Louis, MO, 63101-2500. A general aggregate coverage amount of \$500,000 is provided; each occurrence coverage is provided in the amount of \$300,000. Coverage for damage incurred from the use of explosives is also provided. The policy meets the requirements of R645-301-890.100, 890.200, and 890.300.

Findings:

The minimum regulatory requirements for the previous section have been met.

RECOMMENDATIONS:

The mid-term review of the Dugout Canyon Mine permit as it relates to the amount of reclamation bond in place to reclaim the various disturbed areas of this mine should be approved.